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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS**DOCKETED****JAN 20 2004**

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF
R2C COMMUNICATIONS, INC. FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE COMPETITIVE
RESOLD INTEREXCHANGE
TELECOMMUNICATIONS SERVICES, EXCEPT
LOCAL EXCHANGE SERVICES.

DOCKET NO. T-04193A-03-0509

66730

DECISION NO. _____

ORDER

Open Meeting
January 13 and 14, 2004
Phoenix, Arizona

BY THE COMMISSION:

Having considered the entire record herein and being fully advised in the premises, the Arizona Corporation Commission ("Commission") finds, concludes, and orders that:

FINDINGS OF FACT

1. On July 24, 2003, R2C Communications, Inc ("Applicant" or "R2C") filed with the Commission an application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive resold interexchange telecommunications services, except local exchange services, within the State of Arizona.

2. Applicant is a switchless reseller that purchases telecommunications services from a variety of carriers for resale to its customers.

3. In Decision No. 58926 (December 22, 1994), the Commission found that resold telecommunications providers ("resellers") are public service corporations subject to the jurisdiction of the Commission.

4. R2C has authority to transact business in the State of Arizona.

5. On October 3, 2003, R2C filed an Affidavit of Publication indicating compliance with the Commission's notice requirements.

1 6. On December 19, 2003, the Commission's Utilities Division Staff ("Staff") filed a
2 Staff Report in this matter, which includes Staff's fair value rate base determination in this matter and
3 recommends approval of the application subject to certain conditions.

4 7. In the Staff Report, Staff stated that R2C provided unaudited financial statements for
5 the six month period ending June 30, 2003, which list assets of \$265,418, equity of \$116,157, and a
6 net income of \$65,939.

7 8. In its Staff Report, Staff stated that based on information obtained from the Applicant,
8 it has determined that R2C's fair value rate base ("FVRB") is zero. Staff has determined that
9 Applicant's FVRB is too small to be useful in a fair value analysis and is not useful in setting rates.
10 Staff further stated that in general, rates for competitive services are not set according to rate of return
11 regulation, but are heavily influenced by the market. Staff recommended that the Commission not set
12 rates for R2C based on the fair value of its rate base.

13 9. Staff believes that R2C has no market power and that the reasonableness of its rates
14 will be evaluated in a market with numerous competitors. In light of the competitive market in which
15 the Applicant will be providing its services, Staff believes that the rates in Applicant's proposed
16 tariffs for its competitive services will be just and reasonable, and recommends that the Commission
17 approve them.

18 10. Staff recommended approval of R2C's application subject to the following:

19 (a) The Applicant should be ordered to comply with all Commission rules, orders,
20 and other requirements relevant to the provision of intrastate telecommunications
21 service;

22 (b) The Applicant should be ordered to maintain its accounts and records as
23 required by the Commission;

24 (c) The Applicant should be ordered to file with the Commission all financial and
25 other reports that the Commission may require, and in a form and at such times as the
26 Commission may designate;

27 (d) The Applicant should be ordered to maintain on file with the Commission all
28 current tariffs and rates, and any service standards that the Commission may require;

 (e) The Applicant should be ordered to comply with the Commission's rules and
modify its tariffs to conform to these rules if it is determined that there is a conflict

between the Applicant's tariffs and the Commission's rules;

(f) The Applicant should be ordered to cooperate with Commission investigations, including but not limited to, customer complaints;

(g) The Applicant should be ordered to participate in and contribute to a universal service fund, as required by the Commission;

(h) The Applicant should be ordered to notify the Commission immediately upon changes to the Applicant's address or telephone number;

(i) If the Applicant, at some future, date wants to collect from its customers an advance, deposit, and/or prepayment, it must file an application with the Commission for Staff review and Commission approval. Such application must reference the decision in this docket and must explain the applicant's plan for procuring a performance bond;

(j) The Applicant's intrastate interexchange service offerings should be classified as competitive pursuant to A.A.C. R14-2-1108;

(k) The Applicant's maximum rates should be the maximum rates proposed by the Applicant in its proposed tariffs. The minimum rates for the Applicant's competitive services should be the Applicant's total service long run incremental costs of providing those services as set forth in A.A.C. R14-2-1109; and

(l) In the event that the Applicant states only one rate in its proposed tariff for a competitive service, the rate stated should be the effective (actual) price to be charged for the service as well as the service's maximum rate.

11. Staff further recommended that R2C's Certificate should be conditioned upon the Applicant filing conforming tariffs in accordance with this Decision within 365 days of the effective date of this Decision, or 30 days prior to providing service, whichever comes first.

12. Staff recommended that if the Applicant fails to meet the timeframes outlined in Findings of Fact No. 11, that R2C's Certificate should become null and void without further Order of the Commission, and that no time extensions for compliance should be granted.

13. The rates proposed by this filing are for competitive services.

14. Staff's recommendations as set forth herein are reasonable.

15. R2C's fair value rate base is zero.

CONCLUSIONS OF LAW

1
2 1. Applicant is a public service corporation within the meaning of Article XV of the
3 Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

4 2. The Commission has jurisdiction over Applicant and the subject matter of the
5 application.

6 3. Notice of the application was given in accordance with the law.

7 4. Applicant's provision of resold interexchange telecommunications services is in the
8 public interest.

9 5. Applicant is a fit and proper entity to receive a Certificate as conditioned herein for
10 providing competitive resold interexchange telecommunications services in Arizona.

11 6. Staff's recommendations in Findings of Fact Nos. 8, 9, 10, 11, and 12 should be
12 adopted.

13 7. R2C's fair value rate base is not useful in determining just and reasonable rates for the
14 competitive services it proposes to provide to Arizona customers.

15 8. R2C's rates, as they appear in its proposed tariffs, are just and reasonable and should
16 be approved.

ORDER

17
18 IT IS THEREFORE ORDERED that the application of R2C Communications, Inc. for a
19 Certificate of Convenience and Necessity for authority to provide competitive resold interexchange
20 telecommunications services, except local exchange services, is hereby granted, conditioned upon its
21 compliance with the conditions recommended by Staff as set forth in Findings of Fact Nos. 10, 11
22 and 12 above.

23 IT IS FURTHER ORDERED that Staff's recommendations set forth in Findings of Fact Nos.
24 8, 9, 10, 11, and 12 above are hereby adopted.

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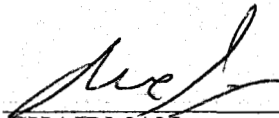
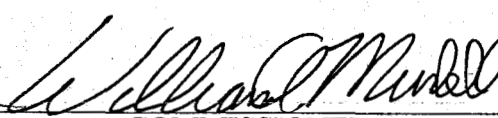
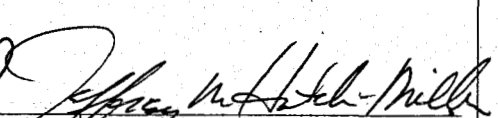
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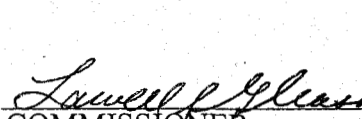
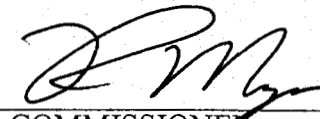
1 IT IS FURTHER ORDERED that R2C Communications, Inc. shall comply with the adopted
2 Staff recommendations as set forth in Findings of Fact Nos. 10 and 11 above.

3 IT IS FURTHER ORDERED that if R2C Communications, Inc. fails to meet the timeframes
4 outlined in Findings of Fact No. 11 above, that the Certificate conditionally granted herein shall
5 become null and void without further Order of the Commission.

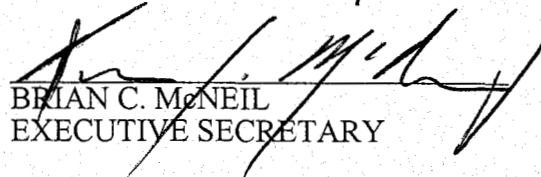
6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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9   
10 CHAIRMAN COMMISSIONER COMMISSIONER

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12  
13 COMMISSIONER COMMISSIONER

14 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
15 Secretary of the Arizona Corporation Commission, have
16 hereunto set my hand and caused the official seal of the
17 Commission to be affixed at the Capitol, in the City of Phoenix,
18 this 20th day of January, 2004.

19 
20 BRIAN C. McNEIL
21 EXECUTIVE SECRETARY

22 DISSENT _____

23 DISSENT _____
24 AP:mj

1 SERVICE LIST FOR: R2C COMMUNICATIONS, INC.

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